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**IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Chapter 11
)	
RELATIVITY FASHION, LLC, <i>et al.</i> ,)	Case No. 15-11989 (MEW)
)	
)	
Debtors.)	Jointly Administered
)	

**HEATHERDEN SECURITIES LLC'S DESIGNATION OF RECORD AND STATEMENT
OF ISSUES PRESENTED ON APPEAL**

Appellant Heatherden Securities LLC, by and through its attorneys, pursuant to Federal Rule of Bankruptcy Procedure 8009, hereby designates the record and issues presented on appeal to the United States District Court for the Southern District of New York from that certain *Final Order Pursuant to Sections 105, 361, 362, 363, 364, and 507 of the Bankruptcy Code (I) Authorizing Debtors to Obtain Superpriority Secured Debtor-in-Possession Financing, (II) Authorizing Debtors to Use Cash Collateral, (III) Granting Adequate Protection to the Cortland Parties, and (IV) Granting Related Relief* [Doc. No. 342], dated August 27, 2015.¹

¹ Capitalized terms not defined herein shall have the meanings ascribed to them in the foregoing orders.

DESIGNATION OF ITEMS TO BE INCLUDED IN THE RECORD ON APPEAL

Documents filed in Case No. 15-11989 (MEW)

Designation Number	Filing Date	Docket No.	Docket Text
1	7/30/2015	1	Voluntary Petition (Chapter 11). Order for Relief Entered. Schedule A due 08/13/2015. Schedule B due 08/13/2015. Schedule C due 08/13/2015. Schedule D due 08/13/2015. Schedule E due 08/13/2015. Schedule F due 08/13/2015. Schedule G due 08/13/2015. Schedule H due 08/13/2015. Schedule I due 08/13/2015. Schedule J due 08/13/2015. Summary of schedules - Page 1 due 08/13/2015. Summary of schedules - Page 2 (Statistical Summary) due 08/13/2015. Statement of Financial Affairs due 08/13/2015. Incomplete Filings due by 08/13/2015, Filed by Craig A. Wolfe of Sheppard Mullin Richter & Hampton LLP on behalf of Relativity Fashion, LLC. (Wolfe, Craig) (Entered: 07/30/2015)
2	7/30/2015	14	Declaration of Dr. Brian G. Kushner Pursuant to Rule 1007-2 of the Local Bankruptcy Rules for the Southern District of New York in Support of Chapter 11 Bankruptcy Petitions and First Day Pleadings filed by Craig A. Wolfe on behalf of Relativity Fashion, LLC. (Wolfe, Craig) (Entered: 07/30/2015)
3	07/30/2015	23	Motion to Approve Debtor in Possession Financing /Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Post-Petition Financing and (B) Use Cash Collateral; (II) Granting the Prepetition Lenders Adequate Protection; (III) Scheduling a Final Hearing; and (IV) Granting Related Relief filed by Craig A. Wolfe on behalf of Relativity Fashion, LLC with hearing to be held on 7/31/2015 (check with court for location). (Attachments: # 1 Exhibit A: Proposed Interim Order # 2 Exhibit B: DIP Credit Agreement # 3 Exhibit C: Budget) (Wolfe, Craig) (Entered: 07/30/2015)
4	07/30/2015	24	Declaration of Timothy R. Coleman in Support of Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Post-Petition Financing and (B) Use Cash Collateral; (II) Granting the Prepetition Lenders Adequate Protection; (III) Scheduling a Final Hearing; and (IV) Granting Related Relief (related document(s)23) filed by Craig A. Wolfe on behalf of Relativity Fashion,

			LLC. (Wolfe, Craig) (Entered: 07/30/2015)
5	07/31/2015	48	Interim Order signed on 7/31/2015 Granting Motion (I) Authorizing Debtors to Obtain Superpriority Secured Debtor-In-Possession Financing, (II) Authorizing Debtors to use Cash Collateral, (III) Granting Adequate Protection to the Cortland Parties, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief. (Related Doc 23) (Bush, Brent) (Entered: 07/31/2015)
6	08/03/2015	83	Transcript regarding Hearing Held on July 31, 2015 at 1:58 PM RE: First Day Motions; Motion to Authorize/Debtors' Motion for the Entry of an Order (I) Authorizing the Debtors to (A) Prepare a List of Creditors in Lieu of Submitting a Formatted Mailing Matrix, (B) File a Consolidated List of the Debtors' Fifty Largest Unsecured Creditors, and (C) Mail Initial Notices, and (II) Approving the Form and Manner of Notifying Creditors of the Commencement of the Debtors' Chapter 11 Cases; Motion to Authorize/Debtors' Motion for an Order Authorizing the Establishment of Certain Notice, Case Management and Administrative Procedures; Motion to Extend Deadline to File Schedules or Provide Required Information/Debtors' Motion for an order Extending the Time to File (I)(A) Schedules of Assets and Liabilities, (B) Schedules of Current Income and Expenditures, (C) Schedules of Executory Contracts and Unexpired Leases, and (D) Statements of Financial Affairs, and (II) Reports of Financial Information; Motion for Joint Administration/Debtors' Motion for an Order Authorizing the Joint Administration of Their Related Chapter 11 Case, etc.... Remote electronic access to the transcript is restricted until 11/2/2015. The transcript may be viewed at the Bankruptcy Court Clerks Office. [Transcription Service Agency: eScribers, LLC.]. (See the Courts Website for contact information for the Transcription Service Agency.). Notice of Intent to Request Redaction Deadline Due By 8/10/2015. Statement of Redaction Request Due By 8/24/2015. Redacted Transcript Submission Due By 9/3/2015. Transcript access will be restricted through 11/2/2015. (Braithwaite, Kenishia) (Entered: 08/04/2015)
7	08/10/2015	130	Declaration Of C.J. Brown In Support Of Debtors' Motion For (I) An Order (A) Establishing Bid

			Procedures For The Sale Of Substantially All Of The Debtors' Assets, (B) Approving Stalking Horse Asset Purchase Agreement And Bidding Protections, And (C) Granting Certain Related Relief, And (Ii) An Order (A) Approving The Sale Of A Substantial Portion Of The Debtors' Assets Free And Clear Of Liens, Claims, Encumbrances, And Other Interests, (B) Approving The Assumption And Assignment Of Certain Executory Contracts And Unexpired Leases Related Thereto, And (C) Granting Certain Related Relief (related document(s)25) filed by Richard L. Wynne on behalf of Relativity Fashion, LLC. (Wynne, Richard) (Entered: 08/10/2015)
8	08/12/2015	169	Statement Reservation of Rights (related document (s)25) filed by Evan M. Jones on behalf of Manchester Library Company LLC, Manchester Securities Corp.. (Jones, Evan) (Entered: 08/12/2015)
9	08/12/2015	170	Objection /(Hearing Date: 8/14/2015 at 11:00 AM) Preliminary Objection of the Official Committee of Unsecured Creditors to the Debtors' Motion for Entry of a Second Interim Order Authorizing (I) The Debtors to (A) Obtain Post-Petition Financing and (B) Use Cash Collateral; and (II) For Related Relief (related document(s) 23) filed by Albert Togut on behalf of Official Committee Of Unsecured Creditors. with hearing to be held on 8/14/2015 at 11:00 AM at Courtroom 617 (MEW) (Togut, Albert) (Entered: 08/12/2015)
10	08/14/2015	200	Second Interim Order signed on 8/14/2015 authorizing Debtors to obtain superpriority secured Debtor-In-Possession financing, authorizing Debtors to use cash collateral, granting adequate protection to the Cortland parties, and scheduling a final hearing (related document(s)23, 48). Final Hearing to be held on 8/25/2015 at 11:00 AM at Courtroom 617 (MEW). (DePierola, Jacqueline) (Entered: 08/14/2015)
11	08/17/2015	217	Transcript regarding Hearing Held on August 14, 2015 at 10:59 AM RE: Second Interim DIP Financing Hearing Objections; Motion Authorizing to File DIP Fee Letter Under Seal; Bidding Procedures; Objections Filed. Remote electronic access to the transcript is restricted until 11/16/2015. The transcript may be viewed at the Bankruptcy Court Clerks Office. [Transcription Service Agency: eScribers, LLC.]. (See the Courts Website for contact information for the Transcription Service Agency.).

			Notice of Intent to Request Redaction Deadline Due By 8/24/2015. Statement of Redaction Request Due By 9/8/2015. Redacted Transcript Submission Due By 9/17/2015. Transcript access will be restricted through 11/16/2015. (Braithwaite, Kenishia) (Entered: 08/18/2015)
12	08/18/2015	219	Supplemental Objection to Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Post-Petition Financing and (B) Use Cash Collateral; (II) Granting the Prepetition Lenders Adequate Protection; (III) Scheduling a Final Hearing; and (IV) Granting Related Relief (related document(s)23) filed by Keith A. Simon on behalf of RKA Film Financing, LLC. (Simon, Keith) (Entered: 08/18/2015)
13	08/19/2015	224	Motion to File Under Seal (MOTION TO FILE OBJECTION UNDER SEAL) filed by Daniel Shamah on behalf of Heatherden Securities LLC, Manchester Library Company LLC, Manchester Securities Corp.. (Attachments: # 1 Proposed Order) (Shamah, Daniel) (Entered: 08/19/2015)
14	08/19/2015	225	Objection (FILED UNDER SEAL) (related document(s)23) filed by Daniel Shamah on behalf of Heatherden Securities LLC, Manchester Library Company LLC, Manchester Securities Corp.. with hearing to be held on 8/25/2015 at 11:00 AM at Courtroom 617 (MEW) (Shamah, Daniel) (Entered: 08/19/2015)
15	08/19/2015	226	Declaration OF DANIEL S. SHAMAH IN SUPPORT OF OBJECTION (related document(s) 225, 23) filed by Daniel Shamah on behalf of Heatherden Securities LLC, Manchester Library Company LLC, Manchester Securities Corp.. with hearing to be held on 8/25/2015 at 11:00 AM at Courtroom 617 (MEW) (Attachments: # 1 Exhibit A # 2 Exhibit B # 3 Exhibit C - Filed Under Seal # 4 Exhibit D # 5 Exhibit E # 6 Exhibit F # 7 Exhibit G - Filed Under Seal # 8 Index H - Filed Under Seal # 9 Exhibit I - Filed Under Seal # 10 Exhibit J - Filed Under Seal # 11 Exhibit K # 12 Exhibit L) (Shamah, Daniel) (Entered: 08/19/2015)
16	08/19/2015	229	Order signed on 8/19/2015 granting Manchester Securities Corporation, Manchester Library Company LLC and Heatherden Securities LLC's motion to file objection under seal (Related Doc # 224). (DePierola, Jacqueline) (Entered: 08/19/2015)
17	08/21/2015	241	Omnibus Reply to Motion / Omnibus Reply of Ad

			Hoc Group of Term Loan Lenders, DIP Lenders, and Proposed Stalking Horse Bidder to Objections Filed With Respect to (I) DIP Financing Motion and (II) Bidding Procedures Motion filed by Dennis O'Donnell on behalf of Ad Hoc Group of Term Loan Lenders, Proposed DIP Lenders, Stalking Horse Bidder. (O'Donnell, Dennis) (Entered: 08/21/2015)
18	08/21/2015	245	Motion to Seal Debtors Motion To File The Manchester Reply Brief, The Baiocco Declaration, The Sharp Declaration, And The Accompanying Exhibits Under Seal (related document(s)25, 23) filed by Bennett L. Spiegel on behalf of Relativity Fashion, LLC. (Spiegel, Bennett) (Entered: 08/21/2015)
19	08/21/2015	246	Supplemental Declaration Supplemental Declaration Of C.J. Brown In Support Of Debtors' Bid And Sale Motion And The Debtors DIP Motion (related document(s)23) filed by Richard L. Wynne on behalf of Relativity Fashion, LLC. (Wynne, Richard) (Entered: 08/21/2015)
20	08/21/2015	247	Omnibus Reply to Motion Omnibus Reply Of Debtors To Objections To Debtors Motion For Entry Of Interim And Final Orders (I) Authorizing The Debtors To (A) Obtain Post-Petition Financing And (B) Use Cash Collateral; (II) Granting The Prepetition Lenders Adequate Protection; (III) Scheduling A Final Hearing; And (IV) Granting Related Relief (related document(s) 23) filed by Richard L. Wynne on behalf of Relativity Fashion, LLC. (Wynne, Richard) (Entered: 08/21/2015)
21	08/21/2015	249	Declaration Declaration Of Bradley T. Sharp In Support Of Debtors Motion For Entry Of Interim And Final Orders (I) Authorizing The Debtors To (A) Obtain Post-Petition Financing And (B) Use Cash Collateral; (II) Granting The Prepetition Lenders Adequate Protection; (III) Scheduling A Final Hearing; And (IVv) Granting Related Relief [FILED UNDER SEAL] (related document(s)23) filed by Richard L. Wynne on behalf of Relativity Fashion, LLC. (Wynne, Richard) (Entered: 08/21/2015)
22	08/21/2015	250	Reply to Motion Debtors' Omnibus Response In Opposition To Manchesters Objections To The Debtors Bid And Sale Procedures Motion And In Opposition To Manchesters Objections To The Debtors Dip Financing Motion [FILED UNDER SEAL] (related document(s)25, 23) filed by Dana

			Baiocco on behalf of Relativity Fashion, LLC. (Baiocco, Dana) (Entered: 08/21/2015)
23	08/21/2015	251	Statement /Notice of Filing List of Obligors and Guarantors Under (I) Cortland TLA/TLB Facility and (II) Manchester Credit Facility (related document(s)23) filed by Craig A. Wolfe on behalf of Relativity Fashion, LLC. (Wolfe, Craig) (Entered: 08/21/2015)
24	08/21/2015	252	Response to Motion Debtors' Omnibus Response In Opposition To Manchester's Objections To The Debtors' Bid And Sale Procedures Motion And In Opposition To Manchester's Objections To The Debtors' DIP Financing Motion (related document (s)25, 23) filed by Dana Baiocco on behalf of Relativity Fashion, LLC. (Baiocco, Dana) (Entered: 08/21/2015)
25	08/21/2015	253	Declaration Declaration Of Dana Baiocco In Support Of Debtors' Omnibus Response In Opposition To Manchester's Objections To The Debtors' Bid And Sale Procedures Motion And In Opposition To Manchester's Objections To The Debtors DIP Financing Motion [FILED UNDER SEAL] (related document(s)25, 23) filed by Dana Baiocco on behalf of Relativity Fashion, LLC. (Baiocco, Dana) (Entered: 08/21/2015)
26	08/21/2015	257	Amended Declaration Notice Of Filing Of Amended Declaration Of Timothy R. Coleman In Support Of Debtors Motion For Entry Of Interim And Final Orders (I) Authorizing The Debtors To (A) Obtain Post-Petition Financing And (B) Use Cash Collateral; (II) Granting The Prepetition Lenders Adequate Protection; (III) Scheduling A Final Hearing; And (IV) Granting Related Relief (related document(s)23) filed by Richard L. Wynne on behalf of Relativity Fashion, LLC. (Wynne, Richard) (Entered: 08/21/2015)
27	08/24/2015	260	Emergency Motion for Adjournment of Bid Procedures and DIP Financing Hearing (related document(s)25, 23) filed by Evan M. Jones on behalf of Heatherden Securities LLC, Manchester Library Company LLC, Manchester Securities Corp.. (Jones, Evan) (Entered: 08/24/2015)
28	08/19/2015	261	Objection to the Debtors' Motion for Entry of Interim and Final Orders (1) Authorizing the Debtors to (A) Obtain Post-Petition Financing and (B) Use Cash Collateral; (II) Granting the Prepetition Lenders

			Adequate Protection; (III) Scheduling a Final Hearing; and (IV) Granting Related Relief FILED UNDER SEAL (related document(s)229) filed by Daniel Shamah on behalf of Heatherden Securities LLC, Manchester Library Company LLC, Manchester Securities Corp.. (Cappiello, Karen) (Entered: 08/24/2015)
29	08/24/2015	266	Declaration OF MATTHEW ERRAMOUSPE (related document(s)25, 168, 23, 225) filed by Evan M. Jones on behalf of Heatherden Securities LLC, Manchester Library Company LLC, Manchester Securities Corp.. (Attachments: # 1 Exhibit A) (Jones, Evan) (Entered: 08/24/2015)
30	08/24/2015	270	Response to Motion Debtors' Response To Manchester Securities Corporation, Manchester Library Company LLC, And Heatherden Securities LLC's Emergency Motion To Adjourn Bid Procedures And DIP Financing Hearing (related document(s)260) filed by Richard L. Wynne on behalf of Relativity Fashion, LLC. (Wynne, Richard) (Entered: 08/24/2015)
31	08/24/2015	271	Statement / Joinder of Ad Hoc Group of Term Loan Lenders, DIP Lenders, and Proposed Stalking Horse Bidder To Debtors Response To Manchester Securities Corporation, Manchester Library Company LLC, And Heatherden Securities LLC's Emergency Motion to Adjourn Bid Procedures and DIP Financing Hearing (related document(s)270) filed by Dennis O'Donnell on behalf of Ad Hoc Group of Term Loan Lenders, Proposed DIP Lenders, Stalking Horse Bidder. (O'Donnell, Dennis) (Entered: 08/24/2015)
32	08/27/2015	342	Final Order signed on 8/27/2015 authorizing Debtors to obtain superpriority secured Debtor-In- Possession financing, authorizing Debtors to use cash collateral, granting adequate protection to the Cortland Parties, and granting related relief (related document(s)200, 23, 48). (DePierola, Jacqueline) (Entered: 08/27/2015)
33	09/10/2015	403	Transcript regarding Hearing Held on August 25, 2015 at 11:11 AM RE: Motion to Pay Certain Pre-petition Wages and Reimbursable Employee Expenses, Pay and Honor Employee Medical and other Benefits and Continue Employee Benefit Programs; Motion Authorizing the Debtors to Honor Their Prize Obligations under Existing Production Agreements; DIP Financing; Motion Authorizing

			<p>Continued Use of Existing Cash-Management System, Bank Accounts and Business Forms, and Payment of Related Pre-Petition Obligations, Waiving Certain Investment and Deposit Requirements on a Limited Basis, Authorizing Continued Engagement in Intercompany Transactions, and According Administrative-Expenses Priority Status to All Post-Petition Intercompany Claims; Motion Authorizing to File DIP Fee Letter under Seal, etc.... Remote electronic access to the transcript is restricted until 11/24/2015. The transcript may be viewed at the Bankruptcy Court Clerks Office. [Transcription Service Agency: eScribers, LLC.]. (See the Courts Website for contact information for the Transcription Service Agency.). Notice of Intent to Request Redaction Deadline Due By 9/2/2015. Statement of Redaction Request Due By 9/16/2015. Redacted Transcript Submission Due By 9/28/2015. Transcript access will be restricted through 11/24/2015. (Braithwaite, Kenishia)</p>
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STATEMENT OF ISSUES PRESENTED ON APPEAL

1. Whether a limited liability company debtor-in-possession may enter into an ultra vires transaction in violation of applicable non-bankruptcy law.

2. Whether the Bankruptcy Court erred in ruling as a matter of law that provisions in the Debtors' Operating Agreement (the "Operating Agreement") that are otherwise enforceable under applicable non-bankruptcy law were unenforceable in bankruptcy with no factual findings or conclusion that they were subject to the "clear abuse" standard articulated in *Johns-Manville Corp. v. The Equity Security Holders Comm. (In re Johns-Manville Corp.)*, 801 F.2d 60 (2d Cir. 1986).

3. Whether the Bankruptcy Court erred in ruling that the Bankruptcy Code trumps certain member rights regarding activities of a limited liability company (enforceable under applicable non-bankruptcy law) because they are "substantive restrictions" rather than "governance" rights.

4. Assuming the Bankruptcy Court correctly distinguished between “governance” provisions in the Debtors’ Operating Agreement (that it concluded are enforceable in bankruptcy), and other substantive provisions in the Debtors’ Operating Agreement (that it concluded are unenforceable in bankruptcy), is a provision prohibiting a debtor from exceeding a cap on the debtor’s total indebtedness properly classified as a “governance” provision that would be enforceable in bankruptcy even under the foregoing distinction?

5. Whether the debtor-in-possession lenders closed in good faith on debtor-in-possession financing requiring an ultra vires act by relying upon the bankruptcy court order authorizing that ultra vires act over the objection of a member of the limited liability company debtor-in-possession.

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Dated: September 24, 2015
New York, New York

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